

To the Mayor and Members of the City Council**April 18, 2023**

Page 1 of 1

**SUBJECT: ECONOMIC DEVELOPMENT PROGRAM AGREEMENT WITH SINCLAIR DIGITAL SERVICES, INC.**

The purpose of this Informal Report is to outline a proposed economic development program agreement with Sinclair Digital Services, Inc. (Company), a venture-backed smart buildings technology company based in downtown Fort Worth. Emerging out of an adaptive re-use project that saw the historic Sinclair Building redeveloped into a technology-laden Autograph hotel, the Company was founded to focus on broader commercial applications and MEP design support that leverage the low-voltage, power-over-ethernet technologies that garnered national attention for the hotel. While the Company has since focused on building market share by applying existing technologies and applications to new projects in the hospitality industry, a broader interest in pursuing the development of new technologies and applications have led to conversations between the Company and City Economic Development Department staff on opportunities to increase Research and Development (R&D) activity by the Company to support expansion of its operations.

Resulting from those discussions is a proposal by the Company for the establishment and operation of a new corporate R&D and technology center in downtown Fort Worth, including a new R&D lab, technology demonstration room, product mock-up room, and Energy Storage Systems ("ESS") demonstration site (Project). The Project would lead to an estimated \$20 million in equipment/software installations and \$850,000 in facilities improvements. The Project is expected to create 63 new positions over an initial five-year period, with average annual wages of at least \$100,000. Overall, the Company is expecting to spend approximately \$87 million in total R&D costs over ten years, with minimum annual R&D costs of \$4 million.

To support the Project, the Company and City staff propose to enter into an Economic Development Program Agreement (EDPA) utilizing the City's R&D Credit program (Agreement). As part of the proposed Agreement, the Company would commit to completing the Project by December 31, 2024 and to certain project minimums, including minimum annual R&D expenditures of \$4 million for a ten-year period (\$40 million total), \$850,000 in initial facilities improvements (with 15% of Hard and Soft construction costs going to certified BEF companies), the hiring of at least 55 new jobs within first five years of the term (with employment milestones in Year 1 and Year 3), minimum average salaries of \$100,000, and the development of a community engagement plan for collaboration with the City on BEF contractor training opportunities focused on the use of and installation of advanced smart building technologies.

In return, the City would provide grants to the Company or assignee(s) that are based on up to 35% of eligible annual R&D costs by the Company (Grants), capped at \$10 million total (subject to Company performance, total R&D expenditures, and available property tax increment produced by the Company or an assignee). Based on program requirements guiding the payment of Grants under the R&D Credit program, full payment of the Grants up to the \$10 million cap would require an estimated \$121 million in new incremental property value.

Staff is recommending that the City Council authorize the City Manager to enter into the Agreement and will be placing an M&C on the agenda for the April 25th City Council Meeting.

If you have any questions concerning this information, please contact Robert Sturns, Economic Development Director at 817-392-2663 or robert.sturns@fortworthtexas.gov.

David Cooke
City Manager